

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6757**

**BILL NUMBER:** HB 1399

**NOTE PREPARED:** Jan 9, 2015

**BILL AMENDED:**

**SUBJECT:** Sales Tax on Recreational Vehicles.

**FIRST AUTHOR:** Rep. Harman

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** ☒ GENERAL  
☒ DEDICATED  
☐ FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** This bill provides that the purchase of a recreational vehicle (RV) or cargo trailer that is transported out of Indiana for registration and use in another state or country is exempt from the state gross retail tax regardless of whether the destination state or country provides a similar exemption for Indiana residents.

**Effective Date:** July 1, 2015.

**Explanation of State Expenditures:** The bill could increase administrative costs of the Department of State Revenue (DOR). The DOR may be required to update sales tax forms or computer software to implement the bill's provisions. The bill's requirements are within the DOR's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

**Explanation of State Revenues:** *Summary* - The bill expands the sales tax exemption for purchases of RV's and cargo trailers that are registered outside of Indiana to those that are registered in states or countries that do not provide a similar exemption for Indiana residents. (Under current law the exemption only applies to RVs and trailers purchased by a resident of a state that provides a reciprocal exemption.)

This provision could significantly reduce sales tax revenue to the state. The precise revenue loss is indeterminable and would ultimately depend on the amount of sales of RVs and trailers in Indiana that are registered in states that do not have a reciprocal exemption. If 10% of RVs and trailers sold in Indiana are registered in such states, the annual revenue loss from the bill could total \$2.6 M.

It is important to note that Indiana dealers are currently required to collect sales tax on sales of RVs and trailers sold and then registered in the following states: Arizona, California, Florida, Hawaii, Massachusetts, Michigan, Mississippi, North Carolina, and South Carolina. Dealers are also required to collect tax on sales to Mexico. In addition, Indiana dealers are required to collect tax on trailers, but not RVs, sold and then registered in Kentucky, Maine, and Rhode Island.

Sales tax revenue is deposited in the state General Fund (98.848%), Motor Vehicle Highway Account (1%), Commuter Rail Service Fund (0.123%), and Industrial Rail Service Fund (0.029%).

*Additional Information* - According to the U.S. Census Bureau, RV dealers in Indiana made about \$475.9M in total sales in 2007 (the most recent year of available data). Based on national trends in RV sales, it is estimated that total sales in Indiana were about \$371.5 M in 2013. However, there is currently no information available indicating the share of these vehicles that were registered out of state.

State vehicle registration data indicate that 4,781 new RVs were registered in Indiana, with an approximate total value of \$177.1 M. It is unknown what portion of these vehicles were purchased in Indiana. The amount of used RV sales is currently unknown.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** Local revenues could decrease to the extent that a local unit receives sales tax revenue through distributions from the Motor Vehicle Highway Account, Commuter Rail Service Fund, or Industrial Rail Service Fund.

**State Agencies Affected:** DOR.

**Local Agencies Affected:**

**Information Sources:** Indiana Recreational Vehicle Excise Tax data. U.S. Census Bureau, 2007 Economic Census. Bureau of Transportation Statistics, *National Transportation Statistics*. Recreational Vehicle Industry Association. DOR Tax Comparison Chart <http://www.in.gov/dor/3785.htm>.

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